

Detailed below you will find Tax Relief and Spending Provisions in the Economic Stimulus which support the 7th District's Municipalities and School Districts. For further details of the bill's provisions please visit my website at <http://www.sestak.house.gov> or <http://www.recovery.org> .

Tax Relief Provisions

TAX INCENTIVES FOR LOCAL GOVERNMENTS

Qualified school construction bonds. The bill creates a new category of tax credit bonds for the construction, rehabilitation, or repair of public school facilities or for the acquisition of land on which a public school facility will be constructed. For more information contact: PA Bureau of Budget and Fiscal Management Division of School Facilities, Pennsylvania Department of Education, 333 Market Street, Harrisburg, PA 17126-0333, Phone: 717.787.5480

Extension and increase in authorization for "qualified zone academy bonds" (QZABs). The bill would allow an additional \$1.4 billion of QZAB issuing authority to State and local governments in 2009 and 2010, which can be used to finance renovations, equipment purchases, developing course material, and training teachers and personnel at a qualified zone academy. In general, a qualified zone academy is any public school (or academic program within a public school) below college level that is located in an empowerment zone or enterprise community and is designed to cooperate with businesses to enhance the academic curriculum and increase graduation and employment rates. QZABs are a form of tax credit bonds which offer the holder a Federal tax credit instead of interest. For more information contact: Celeste Slothower, Bureau of Budget and Fiscal Management, 717-787-5480 or cslothower@state.pa.us

Delay application of withholding requirement on certain governmental payments for goods and services. For payments made after December 31, 2010, current law requires withholding at a three percent rate on certain payments to persons providing property or services made by Federal, State, and local governments. The withholding is required regardless of whether the government entity making the payment is the recipient of the property or services (those with less than \$100 million in annual expenditures for property or services are exempt). Numerous government entities and small businesses have raised concerns about the application of this provision. The provision would delay for one year (through December 31, 2011) the application of the three percent withholding requirement on government payments for goods and services in order to provide time for the Treasury Department to study the impact of this provision on government entities and other taxpayers.

Tax credit bond option for local governments ("Build America Bonds"). The Federal government

provides significant financial support to State and local governments through the federal tax exemption for interest on municipal bonds. Both tax credit bonds and tax-exempt bonds provide a subsidy to municipalities by reducing the cash interest payments that a State or local government must make on its debt. Tax credit bonds differ from tax-exempt bonds in two principal ways: (1) interest paid on tax credit bonds is taxable; and (2) a portion of the interest paid on tax credit bonds takes the form of a Federal tax credit. The Federal tax credit offsets a portion of the cash interest payment that the State or local government would otherwise need to make on the borrowing. For 2009 and 2010, the bill would provide State and local governments with the option of issuing a tax credit bond instead of a tax-exempt governmental obligation bond. Because the market for tax credits is currently small given current economic conditions, the bill would allow the State or local government to elect to receive a direct payment from the Federal government equal to the subsidy that would have otherwise been delivered through the Federal tax credit for bonds. For more information go to: www.Treasurydirect.gov

De minimis safe harbor exception for tax-exempt interest expensing for financial institutions. Under current law, financial institutions are not allowed to take a deduction for the portion of their interest expense that is allocable to such institution's investments in tax-exempt municipal bonds. In determining the portion of interest expense that is allocable to investments in tax-exempt municipal bonds, the bill would exclude investments in tax-exempt municipal bonds issued during 2009 and 2010 to the extent that these investments constitute less than two percent (2%) of the average adjusted bases of all the assets of the financial institution. For more information go to: www.Treasurydirect.gov

Modification of small issuer exception to tax-exempt interest expense allocation rules for financial institutions. As described above, financial institutions are not allowed to take a deduction for the portion of their interest expense that is allocable to such institution's investments in tax-exempt municipal bonds. For purposes of this interest disallowance rule, bonds that are issued by a "qualified small issuers" are not taken into account as investments in tax-exempt municipal bonds. Under current law, a "qualified small issuer" is defined as any issuer that reasonably anticipates that the amount of its tax-exempt obligations (other than certain private activity bonds) will not exceed \$10,000,000. The bill would increase this dollar threshold to \$30,000,000 when determining whether a tax-exempt obligation issued in 2009 and 2010 qualifies for this small issuer exception. The small issuer exception would also apply to an issue if all of the ultimate borrowers in such issue would separately qualify for the exception. For these purposes, the issuer of a qualified 501(c)(3) bond shall be deemed to be the ultimate borrower on whose behalf a bond was issued.

Eliminate costs imposed on local governments by the alternative minimum tax. The alternative minimum tax (AMT) can increase the costs of issuing tax-exempt private activity bonds imposed on State and local governments. Under current law, interest on tax-exempt private activity bonds is generally subject to the AMT. This limits the marketability of these bonds and, therefore, forces State and local governments to issue these bonds at higher interest rates. Last year, Congress excluded one category of private activity bonds (i.e., tax-exempt housing bonds) from the AMT. The bill would exclude the remaining categories of private activity bonds from the

AMT if the bond is issued in 2009 or 2010. The bill would exclude the remaining categories of private activity bonds from the AMT if the bond is issued in 2009 or 2010. The bill also allows AMT relief for current refunding of private activity bonds issued after 2003 and refunded during 2009 and 2010. TOTAL COST: \$555 million

Allocation of recovery zone bonds. Each State shall reallocate among the counties and large municipalities (>100,000) in the proportion to the county's or municipality's 2008 employment decline bears to the aggregate of the 2008 employment declines for all the counties and municipalities in such State.

TAX INCENTIVES FOR LOCAL GOVERNMENTS TO CREATE JOBS AND SPUR INVESTMENT

Build America Bonds: The proposal provides State and local governments with a new tax credit bond option for infrastructure projects. Allows the State or local government to elect to receive a direct payment from the Federal government equal to the subsidy that would have otherwise been delivered through the Federal tax credit. For more information go to: www.Treasurydirect.gov

Industrial Development Bonds: Modernizes certain tax exempt qualified small issue bonds or industrial development bonds (IDBs) for facilities that create or manufacture intangible property. The proposal also clarifies which physical components of any given facility are eligible for such tax exempt financing.

TAX INCENTIVES FOR LOCAL GOVERNMENTS TO SUPPORT RENEWABLE ENERGY AND ENERGY EFFICIENCY

Clean renewable energy bonds ("CREBs"). The bill authorizes an additional \$1.6 billion of new clean renewable energy bonds to finance facilities that generate electricity from the following resources: wind; closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; marine renewable; and trash combustion facilities. This \$1.6 billion authorization will be subdivided into thirds: 1/3 will be available for qualifying projects of State/local/tribal governments; 1/3 for qualifying projects of public power providers; and 1/3 for qualifying projects of electric cooperatives. This proposal provides \$578 million over 10 years. For more information: <http://www.treasurydirect.gov/>

Qualified energy conservation bonds. The bill authorizes an addition \$2.4 billion of qualified energy conservation bonds to finance State, municipal and tribal government programs and initiatives designed to reduce greenhouse gas emissions. The bill would also clarify that

qualified energy conservation bonds may be issued to make loans and grants for capital expenditures to implement green community programs. The bill also clarifies that qualified energy conservation bonds may be used for programs in which utilities provide ratepayers with energy-efficient property and recoup the costs of that property over an extended period of time. This proposal provides \$803 million over 10 years.

For more information contact:
PA ENERGY DEVELOPMENT AUTHORITY;
2 East Main Street, Norristown, PA 19401
(484) 250-5900" www.depweb.state.pa.us

SPENDING PROVISIONS

SPENDING PROVISIONS TO HELP LOCAL GOVERNMENTS SAVE PUBLIC SECTOR JOBS AND PROTECT VITAL SERVICES

State Education and Other Budget Priorities

School District Funding:

- \$53.6 billion for the State Fiscal Stabilization Fund including \$39.5 billion to local school districts using existing funding formulas, which can be used for preventing cutbacks, preventing layoffs, school modernization, or other purposes; \$5 billion to states as bonus grants for meeting key performance measures in education; and \$8.8 billion to states for high priority needs such as public safety and other critical services, which may include education and for modernization, renovation and repairs of public school facilities and institutions of higher education facilities.
- \$13 billion for Title 1 to help close the achievement gap and enable disadvantaged students to reach their potential.
- \$12.2 billion for Special Education/IDEA to improve educational outcomes for disabled children. This level of funding will increase the Federal share of special education services to its highest level ever.

Funding for the above three bulleted items will be distributed via existing formula. For more information visit <http://www.ed.gov/policy/gen/leg/recovery/index.html>

- \$650 million for funding for school computer and science laboratories and technology training for teachers. Funding will be distributed by competitive grants. Forms will be out on website, <http://www.ed.gov/policy/gen/leg/recovery/index.html>, in roughly the week of March 2nd.

- \$200 million in grants for states to address teacher shortages. Forms will be out on website, <http://www.ed.gov/policy/gen/leg/recovery/index.html>, in roughly the week of March 2nd.

\$100 million in grants for teacher training and professional development. Funding will be distributed through competitive grants. Forms will be out on website, <http://www.ed.gov/policy/gen/leg/recovery/index.html>, in roughly the week of March 2nd.

\$70 million for funding for services to homeless children including meals and transportation, which will be distributed by formula. More information can be found at <http://www.ed.gov/policy/gen/leg/recovery/index.html>

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Child Care Development Block Grant: \$2 billion to provide quality child care services for an additional 300,000 children in low-income families who increasingly are unable to afford the high cost of day care. The program is being administered by the Agency for Children (AFC) and Families. As of February 19, ACF is still examining options for how to distribute funding. They should have information available at the [recovery.gov](http://www.recovery.gov) site in the next 2-3 weeks.

\$3.95 billion for job training including State formula grants for adult, dislocated worker, and youth programs (including \$1.2 billion to create up to one million summer jobs for youth). For more information contact: Ed Dowman — ETA Grant Officer, Employment and Training

Administration, U.S. Department of Labor, 215-861-5226, Bowman.Ed@dol.gov or visit <http://www.doleta.gov/grants/>

Head Start & Early Head Start — \$2.1 billion to allow an additional 124,000 children to participate in this program, which provides development, educational, health, nutritional, social and other activities that prepare children to succeed in school. As of 19th of February, the Agency for Children and Families is still examining options for how to distribute funding. They should have information available at the recovery.gov site in the next 2-3 weeks.

Competitive Grants — he Secretary of Education shall award emergency grants in accordance with section 8007(b) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7707(b)) to eligible local educational agencies to enable the agencies to carry out emergency repairs of school facilities; and (B) may award modernization grants in accordance with section 8007(b) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7707(b)) to eligible local educational agencies to enable the agencies to carry out the modernization of school facilities.

Community Services Block Grants — \$42.6 million to local community action agencies for services to the growing numbers of low-income families hurt by the economic crisis, such as housing and mortgage counseling, jobs skills training, food pantry assistance, as well as benefits outreach and enrollment. For more information: <http://www.acf.hhs.gov/programs/ocs/csbhg/>

Innovative Fund — \$650,000,000 for academic achievement awards to local educational agencies or partnerships between a nonprofit organization and one or more local educational agencies or consortium of schools. The awards recognize eligible entities that meet the requirements of meeting various achievement requirements and demonstrating an established partnership with the private sector.

State Use of Funds — For each fiscal year, the Governor shall use 81.8 percent of the State's allocation under section 14001(d) for the support of elementary, secondary, and postsecondary education and, as applicable, early childhood education programs and services. The Governor shall first use the funds described to provide the amount of funds, through the State's primary elementary and secondary funding formulae, that is needed: (I) to restore, in each of fiscal years 2009, 2010, and 2011, the level of State support provided through such formulae to the greater of the fiscal year 2008 or fiscal year 2009 level; and (II) where applicable, to allow existing State formulae increases to support elementary and secondary education for fiscal

years 2010 and 2011 to be implemented and allow funding for phasing in State equity and adequacy adjustments, if such increases were enacted pursuant to State law prior to October 1, 2008.

And to provide, in each of fiscal years 2009, 2010, and 2011, the amount of funds to public institutions of higher education in the State that is needed to restore State support for such institutions (excluding tuition and fees paid by students) to the greater of the fiscal year 2008 or fiscal year 2009 level. If the Governor determines that the amount of funds available is insufficient to support, in each of fiscal years 2009, 2010, and 2011, public elementary, secondary, and higher education at the levels described above, the Governor shall allocate those funds between the areas in proportion to the relative shortfall in State support for the education sectors described above. Subgrants to improve basic programs operated by local educational agencies.— After carrying out the program above, the Governor shall use any funds remaining to provide local educational agencies in the State with subgrants based on their relative shares of funding under part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311 et seq.) for the most recent year for which data are available. As of February 19th, Governor Rendell had not designated how those funds were going to be distributed. When that announcement is made, it will be posted at www.governor.state.pa.us.

USES OF FUNDS BY LOCAL EDUCATIONAL AGENCIES. PROHIBITION.—A local educational agency may not use funds received under this title for—

- (1) payment of maintenance costs;
- (2) stadiums or other facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public;
- (3) purchase or upgrade of vehicles; or
- (4) improvement of stand-alone facilities whose purpose is not the education of children, including central office administration or operations or logistical support facilities.

State and Local First Responders Assistance

(Through the Department of Justice, Federal Emergency Management Agency, and state agencies)

Edward Byrne Memorial Justice Assistance Grant (JAG) for the program as authorized by subpart 1 of part E of title I of the Omnibus Crime Control and Safe Streets Act of 1968 (“1968 Act”). Eligibility requirements will be posted on <http://www.ojp.usdoj.gov/recovery/> about the week of March 2nd. Pennsylvania’s Commission of Crime and Delinquency can also be contacted at (717) 705-0888.

\$225,000,000, for competitive grants to improve the functioning of the criminal justice system, to assist victims of crime (other than compensation), and youth mentoring grants.

\$30 million for High-Intensity Drug Trafficking Areas, includes Delaware and Chester County 7th Congressional District. For more information visit <http://www.ojp.usdoj.gov/recovery/> . For more information on the program visit:

<http://www.whitehousedrugpolicy.gov/HIDTA/>

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\$100,000,000, to be distributed by the Office for Victims of Crime in accordance with section 1402(d)(4) of the Victims of Crime Act of 1984 (Public Law 98–473). For more information visit

<http://www.ojp.usdoj.gov/recovery/>

or

<http://www.ojp.usdoj.gov/ovc/>

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\$50,000,000, for Internet Crimes Against Children (ICAC) initiatives. For more information visit

<http://www.ojp.usdoj.gov/recovery/>

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\$1,000,000,000 for Community Oriented Policing Services (COPS) grants under section 1701 of title I of the 1968 Omnibus Crime Control and Safe Streets Act (42 U.S.C. 3796dd) for hiring and rehiring of additional career law enforcement officers under part Q of such title, notwithstanding subsection (i) of such section. COPS Office Funding in the American Recovery and Reinvestment Act of 2009. The Office of Community Oriented Policing Services (the COPS Office) is announcing the availability of funding under the COPS Hiring Recovery Program (CHRP). The COPS Office will receive the funds from the American Recovery and Reinvestment Act of 2009 to address the personnel needs of state, local, and tribal law enforcement. Application materials are scheduled to be available before the end of March.

CHRP is a competitive grant program that provides funding directly to law enforcement agencies having primary law enforcement authority to create and preserve jobs and to increase their community policing capacity and crime-prevention efforts. Up to \$1 billion in grant funding will be available for the hiring and rehiring of additional career law enforcement officers. There is no local match requirement for CHRP, but grant funding will be based on current entry-level salaries and benefits packages. Any additional costs for higher salaries or benefits for particular individuals hired will be the responsibility of the grantee agency.

Applications for CHRP grants will be accepted only online through the COPS Office web site:
www.cops.usdoj.gov

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<http://www.cops.usdoj.gov/Default.asp?Item=2108>

. The COPS Office looks forward to working with the law enforcement agencies that apply under this program and will provide technical assistance to applicants during the solicitation process, as requested.

If you have any questions about this program or any COPS Office grants, do not hesitate to contact David Buchanan, Vonda Matthews, or Shannon Long at 202.514.9079

\$210,000,000 Firefighter Assistance Grants for modifying, upgrading, or constructing non-Federal fire stations: Provided, that up to 5 percent shall be for program administration and no grant shall exceed \$15,000,000. For more information about the program, contact <http://www.firegrantsupport.com/>

or Dustin Brosius Fire Program Grant Specialist, FEMA Region III, 215-931-5718

SPENDING PROVISIONS TO AIDE STATE AND LOCAL GOVERNMENTS ATTACK THE HOUSING CRISIS

Increases support for several critical housing programs, including providing \$2 billion for the Neighborhood Stabilization Program to help communities purchase and rehabilitate foreclosed, vacant properties and \$1.5 billion for the Emergency Shelter Grant program to provide short-term rental assistance and other aid for families during the economic crisis.

HOME Investment Partnerships: enable state and local government, in partnership with community-based organizations, to acquire, construct, and rehabilitate affordable housing and provide rental assistance to poor families. Total Cost: \$2.25 Billion.

Neighborhood Stabilization: Funding to help local governments and communities purchase and rehabilitate foreclosed, vacant properties in order to create more affordable housing and reduce neighborhood blight. Total Cost: \$2 billion.

Public Housing Capital Fund: Funding for building repair and modernization, including critical

safety repairs. Every dollar of Capital Fund expenditures produces \$2.12 in economic return.
Total Cost \$4 billion

Homeless Assistance Grants: Funding for the Emergency Shelter Grant program to provide short-term rental assistance, housing relocation, and stabilization services for families during the economic crisis. Funds are distributed by formula. Total Cost: \$1.5 billion,

\$143 million for tax breaks for low-income housing investors in the form of credits for construction of low-income housing. To receive credits, builders must apply through PA Housing Finance Agency. See website, <http://www.phfa.org/developers/developer/lihtc.aspx> , or call 717.780.3800. Additional funding takes effect immediately.

Self-Help and Assisted Homeownership Program: Funding for rural, high-need areas to undertake projects using sustainable and energy-efficient building and rehabilitation practices. Funds will be awarded by competition to projects that can begin quickly.

Lead Paint: Funding for competitive grants to local governments and nonprofit organizations to remove lead-based paint hazards in low-income housing. Total Cost: \$100 million.

\$250 million is included for energy retrofitting and green investments in HUD-assisted housing projects.

Community Development Block Grants: \$1 billion for community and economic development projects including housing and services for those hit hard by tough economic times. That in selecting projects to be funded, recipients shall give priority to projects that can award contracts based on bids within 120 days from the date the funds are made available to the recipients.

Emergency Food and Shelter: \$100 million to help local community organizations provide food, shelter, and support services to the nation's hungry, homeless, and people in economic crisis including one-month utility payments to prevent service cut-off and one-month rent or mortgage assistance to prevent evictions or help people leave shelters. Funds are distributed by formula based on unemployment and poverty rates.

Emergency assistance for the redevelopment of abandoned and foreclosed homes: \$2,000,000 for the provision of emergency assistance for the redevelopment of abandoned and foreclosed

homes, as authorized under division B, title III of the Housing and Economic Recovery Act of 2008 (“the Act”) (Public Law 110–289) (42 U.S.C. 5301 note), to remain until September 30, 2010: Provided, That grantees shall expend at least 50 percent of allocated funds within 2 years of the date funds become available to the grantee for obligation, and 100 percent of such funds within 3 years of such date. Funding allocated by competitions for which eligible entities shall be States, units of general local government, and nonprofit entities or consortia of nonprofit entities, which may submit proposals in partnership with for profit entities: Provided further, that in selecting grantees, the Secretary of Housing and Urban Development shall ensure that the grantees are in areas with the greatest number and percentage of foreclosures and can expend funding within the period allowed under this heading:

\$5 billion for Home weatherization grants to low and middle-income families. More information will be available through the Office of Energy, Efficiency and Renewable Energy at 202-586-9220 or visiting www.eere.energy.gov . As of the 19th of February, the office is still working to put together information. When it becomes available they will update website.

A first-time homebuyers tax credit increase from \$7500 to \$8000 that will not have to be repaid. Applies to the purchase of a primary residence before December 1, 2009; Limited to \$75,000 in income (\$150,000 in the case of a joint return). For more information visit <http://www.irs.gov/newsroom/article/0,,id=187935,00.html>

SPENDING PROVISIONS TO HELP LOCAL GOVERNMENTS CREATING JOBS BY MODERNIZING ROADS, BRIDGES, TRANSIT AND WATERWAYS

The agreement provides \$4 billion for the Clean Water State Revolving Fund, which provides grants to states for wastewater treatment projects. It appropriates \$2 billion for the Drinking Water State Revolving Fund, which provides grants for drinking water infrastructure projects.

SPENDING PROVISIONS TO HELP LOCAL GOVERNMENTS TRANSFORM OUR ECONOMY WITH SCIENCE, TECHNOLOGY AND INNOVATION

Broadband Grants. \$7.2 billion for broadband services in underserved areas to strengthen the economy and provide business and job opportunities in every section of America with benefits to e-commerce, education, and healthcare. For every dollar invested in broadband the economy sees a ten-fold return on that investment. The program will be administered through the Technology Opportunities Program of the U.S. Department of Commerce. More information

can be found at <http://www.ntia.doc.gov/otiahome/top/grants/grants.htm> . As of February 19th, the Program reported that they will have information on their website in the coming weeks.

Energy Efficiency Block Grants. The agreement appropriates \$3.2 billion for the Energy Department's Energy Efficiency Block Grant Program. The program, which was authorized by the 2007 Energy Independence and Security Act (PL 110-140), provides grants to state, local, and tribal governments to fund public facility renovation projects that would install more energy efficient building technologies and materials, and energy efficient technology demonstration projects. This program will be administered through the Office of Energy, Efficiency and Renewable Energy, which can be contacted at 202-586-9220. As of February 19th, the office is still working to put together information. When it becomes available, they will update website, www.eere.energy.gov

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Alternative Fuel Vehicles Pilot Grant Program. The agreement includes \$300 million for the Energy Department to distribute grants, through its Clean Cities Program, to state and local governments, metropolitan transportation authorities, air pollution control districts, and appropriate private entities to be used to purchase and demonstrate alternatively fueled vehicles that utilize fuel cell, electric, or hybrid drive system technologies. This amount is \$100 million less than the amount included in the House-passed version and \$50 million less than the Senate-passed version. This program will be administered through the Office of Energy, Efficiency and Renewable Energy, which can be contacted at 202-586-9220. As of February 19th, the office is still working to put together information. When it becomes available, they will update website, www.eere.energy.gov .

Building codes. The State, or the applicable units of local government that have authority to adopt building codes, will implement the following: (A) A building energy code (or codes) for residential buildings that meets or exceeds the most recently published International Energy Conservation

Code, or achieves equivalent or greater energy savings. (B) A building energy code (or codes) for commercial buildings throughout the State that meets or exceeds the ANSI/ASHRAE/IESNA Standard 90.1–2007, or achieves equivalent or greater energy savings. (C) A plan for the jurisdiction achieving compliance with the building energy code or codes described in subparagraphs (A) and (B) within 8 years of the date of enactment of this Act in at least 90 percent of new and renovated residential and commercial building space. Such plan shall include active training and enforcement programs and measurement of the rate of compliance each year.

MONIES ALLOCATED THROUGH THE STATE OF PENNSYLVANIA

American Recovery and Reinvestment Act of 2009 provides monies directly to the Commonwealth, some of which may be provided to municipal governments and school districts. As of February 19th, Governor Rendell had not designated how those funds were going to be distributed. When that announcement is made, it will be posted at www.governor.state.pa.us.

NOTE

None of the funds appropriated or otherwise made available in this Act may be used by any State or local government, or any private entity, for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool.